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Integration of the economies in transition into the world economy

Report of the Secretary-General

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Integration of the economies in transition into the world economy

Report of the Secretary-General

I. Introduction

1. In its resolution 51/175, the General Assembly called upon the organizations of the United Nations system to continue to conduct analytical activities and to provide policy advice and technical cooperation to the economies in transition on the social and political framework for economic and market reforms, in particular in regard to the development of the necessary conditions for attracting foreign investments. The Assembly also requested the Secretary-General to submit a report on the implementation of the resolution to the General Assembly at its fifty-third session. The present report has been prepared in response to that request, and is based on information supplied to the Secretary-General as of 20 August 1998.

2. With regard to analytical activities, most of the organizations of the United Nations system prepare a variety of analytical reports, data and other products, often including an annual "flagship" report, which either address selected topics from a global and regional perspective or provide an overview of developments and issues within the organization's area of competence. Those reports encompass the economies in transition and form an integral part of the analysis and policy advice available from the organizations of the United Nations system to the economies in transition. However, being universal in nature, they are not reviewed here.

3. The United Nations Development Programme (UNDP), the United Nations Children's Fund (UNICEF) and the United Nations Population Fund (UNFPA), as the main technical cooperation funding agencies for the United Nations system, have programmes in individual economies in transition, as well as regional activities. Information on those programmes is contained in the documentation provided to their respective Executive Boards, and is not repeated in the present report, although specific activities of particular relevance are identified in some cases.

II. Activities of the organizations of the United Nations system

A. United Nations Secretariat

4. The Department of Economic and Social Affairs has continued to conduct analytical activities and to provide policy advice and technical cooperation to the economies in transition in each of its main programme areas.

5. In the area of population, a number of papers were prepared for a symposium on health and mortality[1] held at Brussels from 19 to 22 November 1997 on issues concerning countries in transition. In March 1997, the Department organized a subregional symposium on strengthening population information systems in Central Asia and Azerbaijan, and it is executing a UNFPA-funded project on strengthening population and housing census-taking capabilities in four Central Asian countries, Kazakhstan and Azerbaijan.

6. In the area of statistics, the Department has published the Russian version of the *System of National Accounts, 1993*,[2] and provided a lecturer for the seminar on methodology of international merchandise trade statistics, organized by the customs authorities of the Russian Federation. In September 1997, a mission of the Department, the International Monetary Fund (IMF) and the World Bank visited the Russian Federation to assess the statistical infrastructure and identify ways to enhance statistical information. In May 1997, a joint meeting was convened by the Ministry of Statistics of Ukraine and the Steering Committee on the Coordination of Technical Cooperation to the Countries of the Former Soviet Union, to identify priorities for Ukraine's statistical agencies and adopt a more coordinated approach to its national statistical programme. The Department has also provided the services of its Interregional Adviser on Computers and Informatics to Armenia, Belarus, Kyrgyzstan, Lithuania and Uzbekistan.

7. In collaboration with the Government of Greece and UNDP, a regional conference was organized on the theme "Public service in transition: enhancing its role, professionalism, ethical standards and values" (Thessaloniki, 17–20 November 1997). The conference called for the reinforcement of the institutional structures, legislative frameworks, information and skills that are prerequisites for sustained development. Twenty-one Eastern and Central European States participated in the conference. In cooperation with UNDP Europe and the Commonwealth of Independent States (CIS), policy advisory services on civil service reforms were provided to Governments in the region.

In addition, two projects, one on the establishment of an ombudsman institution in Uzbekistan and one on non-governmental organization development in Azerbaijan, became operational in 1997.

8. The Department has also undertaken a range of activities relating to the social, economic and political framework for market-based reforms, including measures to promote foreign investment. Specific projects include the preparation of a strategy for implementing market-based reforms, attracting foreign investment and encouraging export-led growth in the former Yugoslav Republic of Macedonia; the preparation of a strategy for post-conflict reconstruction and the transition to a market economy in Bosnia and Herzegovina; the convening of an international workshop on macroeconomic forecasting in CIS countries at Moscow; the preparation of macroeconomic forecasting models and related training of personnel in Belarus and Ukraine; the provision of advice to the Income Tax Department of Turkmenistan, covering, *inter alia*, taxation of foreign permanent establishments; and assistance in the creation, organization and operations of the new Supreme Audit Institution in Armenia.

9. A subregional conference of senior governmental experts on the implementation of the Platform for Action adopted by the Fourth World Conference on Women in Central and Eastern Europe, held at Bucharest from 12 to 14 September 1996, was attended by 36 experts from 21 countries. It focused on the elaboration and implementation of national action plans, strengthening national machineries for the advancement of women, and the role of non-governmental organizations and other actors in civil society in elaborating and implementing national action plans. The Department is also undertaking a project to assist in developing gender-in-development units and/or national machineries in Central and Eastern European and CIS countries. An interregional workshop on the theme "Mechanisms of support to women's participation in sustainable development", held in November 1997 at Lausanne, Switzerland, provided an opportunity for participants from economies in transition to experience dialogue and networking among women entrepreneurs and with members of the business community, and to explore avenues for practical collaboration.

10. A regional conference on sustainable development in economies in transition (Minsk, 1997) was organized in cooperation with UNDP and the Economic Commission for Europe (ECE). The Department has also supported various national activities pertaining to sustainable development, several of which were financed by UNDP. These include projects relating to land restitution and land registration in Bulgaria and Georgia; the establishment of a unit to manage external assistance and promote private investment in infrastructure in Croatia; the collection of data necessary to attract foreign investment in the Tumen area of the Russian Federation; monitoring oil and related pollution in the Black Sea; and the preparation of a strategy to eliminate pollution and ensure environmentally sound water management in the Maritza River Basin of Bulgaria.

B. Economic Commission for Europe

11. With the exception of a few individual cases of success, often due to the sale of domestic companies to foreign investors, the experience of Central and Eastern Europe and the CIS as a whole in attracting foreign direct investment (FDI), as measured by its share of total world flows, has been disappointing. Member Governments continue to attach a high priority to ECE work on attracting FDI in recognition of its economic benefits. ECE activities in this area are focused on the following:

1. Investment promotion techniques

12. In October 1997, ECE, in cooperation with the World Bank, held a forum at which representatives of the investment promotion agencies of transition economies discussed techniques for promoting FDI, as well as questions related to the role of investment promotion agencies, their status within the public administration and their financing.

2. Attracting private investment in infrastructure

13. ECE has established the Build, Operate and Transfer (BOT) Group of experts to help Governments to apply concession-based financing techniques to attract private capital and promote public-private partnerships for infrastructure projects. The Group includes representatives of leading private companies, legal experts and representatives of other international organizations. It has published guidelines entitled "Public-private partnerships: a new concept in infrastructure development", and has organized advisory missions to Bulgaria, Croatia, Estonia and Hungary.

3. Development of real estate markets

14. To stimulate investment and create more active real estate markets, ECE has established the Real Estate Advisory Group (REAG), consisting of property lawyers, bankers, developers and real estate valuers. On 17 July 1998, the Terre Initiative was launched in London by the Executive

Secretary of ECE, in the company of the Secretary-General of the European Bank for Reconstruction and Development (EBRD), to raise funds for REAG missions to transition economies. These missions will prepare reports that identify strategic investment opportunities for financial institutions and papers that present Governments with options for land policy.

4. Legal and regulatory frameworks

15. The ECE Working Party on International Contract Practices in Industry has prepared guides on privatization and foreign investment laws since the beginning of the transition period, and these have assisted Governments in the drafting of new legislation. However, the enforcement of new laws has been problematic. Despite many new laws regarding intellectual property rights, for example, the increased incidence of piracy and counterfeiting of goods has had a negative impact on FDI. ECE, in cooperation with the World Intellectual Property Organization (WIPO), the World Trade Organization (WTO) and the European Union (EU), will hold a forum on the protection and enforcement of intellectual property rights in the transition economies at Geneva on 26 October 1998. It is expected that a special programme will be established to help Governments deal with infringements of their laws and encourage domestic companies to protect their intellectual property.

5. Analysis of FDI in transition economies

16. An ECE study on trade and investment financing in transition economies covers the financing of FDI and includes recommendations for improving access of foreign affiliates to local and foreign financial sources.

6. Information services

17. ECE collects data on FDI from the transition economies, and analyses them in the *ECE Bulletin* and the *Economic Survey of Europe* on a regular basis. As part of its industry and enterprise development programme, ECE disseminates information on best practices for creating an environment conducive to foreign investment, and assists transition economies in their implementation. In particular, projects in the following areas aim to attract FDI: (a) environmental clean-up of polluted industrial sites; (b) barriers to and best practices for industrial restructuring in the steel sector; and (c) promotion of regional enterprise development areas in transition economies. ECE is also promoting higher standards in the treatment of FDI, and is encouraging its members to participate in the relevant international standards-setting forums. It is currently modernizing the 1961 European Convention on International Commercial Arbitration, and is considering ways to broaden its scope to include the resolution of investment disputes. With the support of the Government of the Czech Republic, an expert meeting to consider proposals to revise the Convention will be held at Prague on 28 and 29 September 1998.

18. Further ECE technical cooperation with economies in transition covers a wide range of activities in the areas of energy, environment, statistics, trade facilitation and small and medium enterprises (SMEs). In addition, countries in transition participated in a consultative inter-agency meeting organized by ECE at Geneva in January 1996 on regional monitoring of activities designed to improve the status of women. These activities are carried out in close cooperation with other international, national and regional organizations.[3]

C. Economic and Social Commission for Asia and the Pacific

19. The Economic and Social Commission for Asia and the Pacific (ESCAP) secretariat's activities to promote the integration of the economies in transition into the world economy have focused on macroeconomic management and economic reforms, including policies on restructuring, stabilization and growth, the impact of the economic and financial crisis in Asia, and the promotion of intra- and inter-subregional economic cooperation. Activities have emphasized the need to develop the necessary conditions for promoting foreign investment and trade in those countries. Another immediate objective of technical cooperation has been to promote cooperation among those countries, as well as between them and the rest of the region.

1. Analytical work

20. The *Economic and Social Survey of Asia and the Pacific 1997* included an analysis of the economic situation and short-term and medium-term prospects of the economies in transition, focusing on the consequences of capital-flow volatility and the lessons from the financial crisis.

2. Policy advice and technical cooperation

21. Technical cooperation with the economies in transition has taken the form of training programmes and policy advice regarding macroeconomic reforms, the management of free economic zones, industrial restructuring and privatization. Activities have focused on the promotion of investment

opportunities, including training in techniques used in project appraisal and evaluation; financial sector management; and institutional and human capacity-building.

22. ESCAP has been assisting the region's economies in transition in accession to WTO and in expanding their trade. A training course on export promotion, held in cooperation with the International Trade Centre and WTO in Uzbekistan in June 1997, aimed to enhance the capacity of countries to formulate trade policies and strategies for the diversification of trade. The seventh Asia-Pacific International Trade Fair, scheduled to be held in Kazakhstan in October 1998, will be the first of its kind in Central Asia, and is expected to promote economic cooperation, trade and investment between the economies of Central Asia and other Asian and Pacific countries.

3. Cooperation with other organizations

23. At the suggestion of the Secretary-General, ESCAP and ECE initiated the Special Programme for the Economies of Central Asia (SPECA) in 1997 to facilitate the economic integration of the Central Asian countries into both Europe and Asia, and to strengthen economic cooperation among those countries. SPECA was launched by the Presidents of four Central Asian countries and the Executive Secretaries of ECE and ESCAP at Tashkent in March 1998. The Tashkent Declaration identifies four priority programme areas: (a) development of transport infrastructure and cross-border facilitation; (b) rational and effective utilization of energy and water resources of Central Asia; (c) the organization of an international economic conference on Tajikistan and a joint strategy for regional development and the attraction of FDI; and (d) regional cooperation on the development of routes for pipelines for hydrocarbons. Working groups to translate the Programme into specific project activities have been established by ESCAP and ECE.

24. In cooperation with the United Nations Conference on Trade and Development (UNCTAD) and the Economic Cooperation Organization (ECO), ESCAP has been implementing a project on international transport development in the ECO region. The ECO secretariat is also involved in a project to strengthen subregional economic cooperation in trade and investment among member countries in the southwestern part of the ESCAP region. In addition, the United Nations Industrial Development Organization (UNIDO) and the Asian and Pacific Centre for Transfer of Technology contributed to a regional meeting on investment promotion for the Central Asian countries, held in October 1997 in Kyrgyzstan.

D. United Nations Conference on Trade and Development

25. UNCTAD's analytical work and technical cooperation of benefit to economies in transition cover the following fields: (a) globalization and development strategies, including debt management and development of capital markets; (b) trade and commodities, including assistance on issues relating to the multilateral trading system and advice on accession to WTO, and assistance in the formulation of competition policies, risk management and commodity diversification; (c) investment, technology and enterprise development, including support for national policies promoting and attracting foreign investment and for promoting private-sector development, in particular concerning SMEs and privatization issues; and (d) services infrastructure for development and trade efficiency, customs modernization and reform, and development of human resources in general in the field of trade and related services.

26. UNCTAD is implementing projects to strengthen the capacity for the management of external debt in Armenia, Belarus and Uzbekistan, and a project in the Republic of Moldova on international financial markets and debt. It has also provided assistance to Belarus, Lithuania, the Russian Federation and Viet Nam in elaborating their approaches in the initial phase of accession to WTO.

27. In its resolution 49/102, the General Assembly requested UNCTAD to elaborate a programme for improving the efficiency of transit transport operations in Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan and Uzbekistan and their transit neighbours. UNCTAD has continued its work on this UNDP-financed project, together with other United Nations bodies and other international organizations. In 1997, a series of workshops was organized in all five countries to consider a draft regional transit transport framework agreement that would provide a regulatory foundation for transit operations in Central Asia. A draft was subsequently presented to the negotiating conference on the agreement.

28. Assistance under UNCTAD's programme on strengthening/streamlining agencies concerned with maximizing and promoting FDI was provided to the Albanian Centre for Foreign Investment Promotion. In addition, components of UNCTAD's Policy Framework for Attracting Foreign Investment have been implemented in Albania. In Uzbekistan, with the financial support of the Government of Switzerland and UNDP, UNCTAD is undertaking one of its series of investment policy reviews to evaluate the strengths and weaknesses of the national

system of innovation and production, which affects the attractiveness of a country to foreign investors.

29. A UNDP-financed project in Belarus, completed in 1997, supported the implementation of components of UNCTAD's programme on commercialization of science and technology, the objective of which is to obtain the maximum benefit from a country's scientific and technological capacity, particularly internationally.

30. UNCTAD's computerized customs management system (ASYCUDA) has been installed in over 95 locations in Romania, and covers 90 per cent of the country's trade. Fiscal analysis has already greatly benefited from increased availability of statistics. The system has also been integrated into the national computer network in the former Yugoslav Republic of Macedonia, and control of moving cargoes has been introduced through the manifest module. New ASYCUDA projects were signed with the three Baltic States in 1997.

31. UNCTAD also promotes trade through its Global Trade Point Network, which is a tool for the integration of SMEs into the global economy. A project on increasing the participation of Romanian SMEs in international trade through the establishment of a trade point in Bucharest was launched in 1997. Economies in transition are also able to benefit from UNCTAD's programme on electronic trading opportunities (ETOs), which distributes information on products, services, investment, joint ventures etc. collected from trade points and third-party information providers.[4] Data for 1997 showed that 86 per cent of users receive responses to their ETOs and 27 per cent of those conclude business deals on the basis of ETOs. In 50 per cent of the cases, the value of these transactions is less than $10,000; however, in 10 per cent of the cases, it is over $1,000,000.

32. The Governing Council of UNDP, in its decisions 90/34, 92/8 and 92/29 relating to the preparations for the fifth programme cycle (1997–2000), decided that the countries of the former USSR, Central and Eastern Europe and the Baltic States should participate as recipients of the UNDP programme. The Council further authorized the Administrator, in decision 92/43, to open a limited number of offices in the countries concerned. Despite resource constraints, UNDP has responded to the requests for assistance, and has opened programmes and offices in most of those countries, as well as a programme support unit at Bratislava. The core programme resources for the current programme cycle amount to $94.5 million, with approved non-core resources estimated as of mid-1998 at $149 million. For the previous cycle (1992–1996), the core resources were $57 million and non-core $175 million. For all countries in the region, a country cooperation framework has been prepared, which sets out the main thrust of the programme that will be supported during the remainder of the programming cycle, with 27 frameworks already approved.

33. The main emphasis of UNDP support has been to assist those countries in making the transition to a democratic free-market economy. To assess the cost of transition, UNDP launched the preparation of national human development reports in almost all countries of the region. The reports have looked at the transition not only in terms of economic efficiency but also in terms of its impact on human development. They are intended to provide comprehensive information about the economic, social and human development conditions in those countries, and have started a dialogue at the country and regional levels concerning the social impact of the transition process.

34. UNDP has also provided support for regional and country-specific activities in the area of democracy, governance and participation, focusing on democracy-building through human rights protection, establishment of ombudsmen institutions, development of mass media and information systems, and modernization of the judicial system. Aspects of management development, civil service reform and decentralization are dealt with in some UNDP work on governance. Other activities include training in the areas of foreign investment promotion and negotiation, and financial auditing and control at all levels.

35. Unlike other transition economies, most of the countries in Central and Eastern Europe and the Commonwealth of Independent States are suffering serious increases in poverty. A comparative analysis has been undertaken by UNDP to identify the nature of the most acute problems and what reforms have worked to date. The most urgent challenge facing the region is how to reverse the deterioration; a report has been prepared that acknowledges success stories in the region and indicates that many Governments have done as well as could be expected under the difficult prevailing circumstances.

E. United Nations Development Programme[5]

36. UNDP has devoted special efforts to help countries in transition to attract FDI. In addition to programmes designed to strengthen Government institutions, the judiciary and the parliament, UNDP has supported activities to improve policies, promote good governance and the rule of law, and strengthen the human resource base, all critical to the creation of a business-friendly environment. UNDP has also continued support for the Empretec Programme, which

promotes entrepreneurship and development of small and medium-sized enterprises in economies in transition.

37. A recent initiative at the global level is a proposal to have UNDP play a more catalytic role in the establishment of business advisory councils (BACs) in developing countries and in countries in transition.[6] The core of the concept is to build a three-way partnership between the corporate community, the national Government and the United Nations for the promotion of investments. Foreign and domestic investors, government representatives and UNDP would engage in a dialogue on policies and barriers related to private-sector development and investments in the country; national representatives would make commitments and be held accountable for the implementation of agreements.

38. One function of a BAC would be to bring to the attention of senior government officials the views of the business community on regulatory issues, bottlenecks and other hindrances in public administration, weaknesses in infrastructure and any other obstacles to new private foreign and domestic investments. The BAC should also serve as a forum where parties make commitments to address mutual challenges. For example, it could address issues of taxation, customs, the legal system, crime, corruption, international standards, privatization, shareholder rights, financial infrastructure, security systems, competition law, deregulation and other relevant issues. It could propose improvements in public administration procedures and comment on draft legislation.

39. To facilitate the work of the BAC and demonstrate its commitment to the creation of an effective enabling environment for private-sector development, the Government would enter into a compact with UNDP. This compact would articulate specific actions to be undertaken in the area of governance, as well as performance indicators to monitor progress. In return for the Government's commitment, UNDP would support and promote a revitalized dialogue between business and government. The exact content of the compact could vary from country to country.

40. If the business communities approve the proposal, pilot projects will be developed shortly in five countries, including Georgia among the transition economies.

41. In the former Yugoslav Republic of Macedonia, UNDP has designed a project to strengthen the national capacity to attract foreign investment, by assisting the setting up of a unit for investment promotion at the Ministry of Development, to be linked with UNIDO's World Investment Network Services. The project includes training staff of the unit, government officials and selected industrialists in the preparation and appraisal of investment projects and in promotion methods and strategies. In Croatia, UNDP has designed a preparatory assistance project to increase international awareness of the country's investment opportunities.

42. In Asia, UNDP has organized round tables at the regional level to deal with various issues cutting across countries and affecting FDI. Such meetings raise the level of awareness among policy makers of the growing economic interdependence within the region and its impact on individual countries. On behalf of UNDP, the Foreign Investment Advisory Service (FIAS) of the World Bank has organized for Asian countries (including transition economies) six such round tables for senior government officials responsible for private-sector investments and for prominent businessmen from within and outside the region. In Mongolia, FIAS is implementing a UNDP-funded project, consisting of three components: an investment promotion skills training programme, the development of an investor servicing strategy and the development of a comprehensive investment promotion strategy. The first two components were concluded in 1998, the third is scheduled for 1999. In Viet Nam, FIAS will undertake a project co-funded by UNDP in 1999 to improve the implementation of approved foreign investment projects.[7]

43. UNDP has also designed a programme to strengthen information exchange and develop capacity to address emerging macroeconomic issues in Mongolia and Viet Nam. Three workshops will bring together key economic officials from the subregion and other experts to discuss economic issues common to the subregion.

F. United Nations Environment Programme

44. In its decisions 17/27 and 18/24, the UNEP Governing Council requested UNEP to provide environmental assistance to economies in transition. This assistance involves the use of innovative economic instruments in the economic sector, and more generally, ensuring that economic development and environmental protection are mutually supportive and compatible.

G. United Nations Population Fund

45. UNFPA has provided funding for analytical studies of the demographic and reproductive health situation and trends in the economies in transition as a whole and a number of

individual countries. UNFPA has supported ECE research in the fields of fertility and family formation, ageing and international migration in order to study demographic trends. At the country level, it has provided funds for national institutions to undertake fertility and family surveys in Estonia, Latvia, Lithuania and Poland.

46. UNFPA has also provided financial and technical support to the development of reproductive health policies in economies in transition. Through policy dialogue, UNFPA representatives play an active role in pointing to the consequences of health reform processes and the need for integrating reproductive health issues into these processes.

47. The UNFPA programme of assistance for Kazakhstan, Azerbaijan, Tajikistan, Turkmenistan, Uzbekistan and Kyrgyzstan for the period 1995–1997 is providing some $14.8 million to assist those Governments in (a) promoting women's reproductive health (RH) and reducing the number of abortions; (b) contributing to family planning (FP) by making available quality RH/FP services, including counselling; (c) broadening contraceptive choice and enhancing the ability of individuals and couples to make informed RH decisions; and (d) increasing awareness at all levels of society of RH/FP and related issues. Subregional interventions have also been used to complement country-specific activities, when they concerned exchange of experiences among different countries.[8] UNFPA has also supported the preparatory activities for the upcoming national population and housing censuses, and has provided basic equipment, with a total value of about $660,000. In collaboration with the statistics units of the Secretariat, UNFPA, through its country support teams, organized a series of seminars and workshops, such as those held at Almaty on national population policy formulation and at Bishkek on population information systems.

H. Food and Agriculture Organization of the United Nations

48. Food and Agriculture Organization of the United Nations (FAO) activities in Central and Eastern Europe have focused on supporting these countries' efforts to restructure their national agriculture and to formulate agriculture and food strategies and policies. The FAO annual publication *State of Food and Agriculture* includes analysis of agricultural development policies in the economies in transition, with special reviews of Belarus, the Republic of Moldova and the Russian Federation in recent issues. Support is provided by the newly established policy assistance units in the regional and subregional offices for Europe, and FAO also provided substantive assistance for a meeting of ministers of agriculture from Central and Eastern European countries at Bucharest in 1996.

49. During 1996–1998, work was initiated to enhance understanding of the role of the agricultural sector during the transition, with comparative research conducted in Bulgaria, Poland and Slovakia; this is expected to be concluded in 1998. Data on off-farm income and linkages in agricultural development have also been collected and analysed for several economies. The European System of Cooperative Research Networks in Agriculture, which is supported by the FAO Regional Office for Europe, has contributed to decision-making regarding sustainable development in Central and Eastern European countries.

50. Technical cooperation projects on agricultural policies and strategies were carried out in Croatia, Estonia and Slovakia and are currently being carried out in Bosnia and Herzegovina; in the Republic of Moldova, a strategy for the grain sector is currently being elaborated. FAO also assisted the Albanian Ministry of Agriculture and Food in strengthening its agricultural policy analysis unit and in its reorganization.

51. Reorientation of policies and systemic changes to adjust to prevailing conditions in the EU and facilitating access to the EU, as well as follow-up to the Uruguay Round agreements, are other areas where member countries have requested technical support. Projects addressing access to the EU are being implemented in the Czech Republic and Slovenia. In March 1997, an FAO workshop on the theme "Experience in reforms and integration of European agriculture" was attended by 16 Central and Eastern European and CIS countries. FAO has also provided backstopping on trade policy issues to several countries, including the Czech Republic, the Republic of Moldova, Slovakia and Slovenia, and has provided assistance on commodity projections. A series of training seminars on the global grain economy was held in the Czech Republic and Lithuania.

52. FAO's Global Information and Early Warning System monitors and reports on the supply situation in Central and Eastern European countries. Three major assessment missions were carried out in the subregion, with the participation of the World Food Programme (WFP), UNDP and the European Community (EC). As an initial step towards systematic follow-up at the country level to the World Food Summit, FAO has prepared draft strategies for national agricultural development for each country of the subregion. These strategies provide, *inter alia*, estimates of

the net investment required to meet development objectives for the agricultural sector.

53. In the framework of the Special Programme for Food Security, assistance and policy advice were provided to Albania, Armenia, Azerbaijan, Bosnia and Herzegovina, Georgia, Kyrgyzstan, the former Yugoslav Republic of Macedonia and Turkmenistan, regarding constraints to technological innovation and investment requirements to meet food needs.

54. Projects on nutrition in CIS and Central and Eastern European countries involve the strengthening of national food control systems, reformulating national food regulations to bring them into line with international standards, and establishing import/export certification programmes. Several regional training courses have also been carried out to support these countries in ensuring safe national food supplies and in engaging effectively in international trade. In recognition of the heightened importance of the Codex Standards and Guidelines in the context of the Uruguay Round agreements, FAO has organized several workshops in the region to organize and strengthen national Codex committees.

55. During the 1996–1997 biennium, FAO prepared a number of investment projects and programmes for financing by the multilateral financing institutions; total investments mobilized for those projects amounted to some $411 million. FAO also assisted in the formulation of 12 investment projects in the agricultural sectors of Albania, Armenia, Bosnia and Herzegovina, Croatia, Estonia, Georgia, Kyrgyzstan, Latvia, the Republic of Moldova and the former Yugoslav Republic of Macedonia; preparations have been completed for nine of those projects.

I. United Nations Educational, Scientific and Cultural Organization

56. The United Nations Educational, Scientific and Cultural Organization (UNESCO) has aimed to facilitate the reforms being carried out in the economies in transition with a view to consolidating democracy, guaranteeing human rights and ensuring sustainable development in the economic, social, scientific, information and cultural fields. It supported a conference on the development of cultural life in the countries of Central and Eastern Europe (Budapest, January 1997) and a European seminar on promoting independent and pluralistic media, with a special focus on Central and Eastern European countries (Sofia, September 1997).

57. UNESCO is assisting Albania and Bosnia and Herzegovina to strengthen their capacities to analyse their education systems, draw up policies and elaborate national programmes. UNESCO's European Centre for Higher Education at Bucharest is a direct participant in the process of transition, through its work on such issues as quality assurance and accreditation, and the recognition of higher education qualifications. The International Institute for Educational Planning at Paris and the UNESCO Institute for Education at Hamburg are working on reinforcing national capacities in policy planning and management and evaluation of education.

58. In 1997, UNESCO helped to design a project for a regional translation network, using new communication technologies that would offer a practical and cost-effective way towards meeting the need for access to knowledge and skills in a variety of domains, such as banking and commerce, law, science and technology. Assistance was provided through the establishment of a UNESCO Chair in Translation Studies (Multilingual communication in specialized environments) at Comenius University, Slovak Republic.

59. UNESCO's Programme for Management of Social Transformations has developed a research project to provide policy analysis on the management of long-term unemployment. A research network focusing on long-term unemployment, impoverishment and crime waves has been established. Two international seminars have been organised at Sofia in close cooperation with UNDP national offices, and a policy paper is being published.

60. Two projects in the Russian Federation – the Hermitage/UNESCO project and the Bolshoi/UNESCO project – are particularly concerned with new patterns of management, marketing, public relations and fund-raising. A project for the State Hermitage Museum at St. Petersburg, financed by a contribution from the Netherlands, was concluded at the end of 1997. In view of its success, the Government of the Netherlands has made an additional contribution for a new phase of the project. The Bolshoi/UNESCO project is a partnership of public and private contributors to help revitalize the Bolshoi theatre. During 1996–1997, UNESCO continued to provide technical advice throughout the conceptual and design stages, and helped in the decision-making process by organizing study tours of selected European opera houses and theatres and of producers of theatrical equipment.

J. International Civil Aviation Organization

61. The International Civil Aviation Organization (ICAO), in formulating and implementing its technical cooperation activities for economies in transition, has concentrated on the development of civil aviation master plans and the transformation of civil aviation departments into civil aviation authorities with full financial autonomy. The objective is to ensure that these authorities are able to operate in market environments in which capital expenditures are usually covered by income derived from operations; such arrangements should be conducive to foreign investment.

K. World Health Organization

62. In order to respond to the needs of the economies in transition, the World Health Organization (WHO) Regional Office for Europe has strengthened its analytical capacity and policy guidance. The EUROHEALTH programme (launched in 1990) provides assistance to Central and Eastern European countries and the CIS. The aim is to ensure improvements in the health situation in those countries, and to provide a basis on which the donor community can make decisions regarding their assistance to the health sector. A task force on country health development is looking at ways of strengthening WHO support to these countries and strengthening the analytical capabilities of the programme. The programme is managed from the Regional Office but executed through a network of 24 WHO liaison offices and four advisers at the country level. The Office has produced a number of products and programmes, including "Country highlights" and "The patient in focus", a strategy for pharmaceutical sector reform. In addition, it has produced various data and documents that are accessible on the Internet.

L. World Bank

63. In partnership with others, the World Bank is coordinating strategies and sectoral approaches to help Central European and Baltic countries meet the challenges of joining the EU. The Bank is working closely with countries to identify policy reforms that will enhance economic growth and facilitate EU accession, as well as to help devise strategies for minimizing the costs of reforms.

64. In the face of diverse country situations, the Bank's assistance strategy has reflected countries' unique needs and their progress in meeting the challenges of transition. Several economies in transition that experienced crises in early 1997 are showing strong signs of recovery. In Albania, the Government moved quickly to restore stability, with support from the Bank and other international donors, after major civil disturbances in early 1997 followed the collapse of the pyramid schemes. Romania's reform programme also made a good start in 1997, as prices were liberalized and directed credit was ended; although progress faltered by early 1998, the Bank continued to support investments in key areas to underpin long-term development.

65. In the Russian Federation and Ukraine, the World Bank has supported structural reforms aimed at sustained and predictable reductions in fiscal deficits. With Bank support, both Kazakhstan and the Russian Federation are improving tax administration and budget management. The Russian Federation has taken several major steps to improve tax collection, including the termination of non-cash arrangements for clearing arrears and actions against large, high-profile tax debtors. Bank-financed adjustment operations in Armenia, Azerbaijan, Georgia, and the Russian Federation are increasing payment rates in power-sector and energy-sector public utilities.

66. World Bank adjustment loans are supporting small-scale privatization in Bosnia and Herzegovina and accelerating privatization of medium-scale and large-scale enterprises in Armenia, Azerbaijan, Georgia and the Russian Federation. A structural adjustment loan in the Russian Federation is facilitating more transparent, open, and competitive case-by-case privatization transactions. It is complemented by analytical work examining ways to improve corporate governance, enhance enterprise restructuring and increase competition in the industrial sector. With World Bank support, Armenia, Azerbaijan, Bosnia and Herzegovina, Georgia, the Republic of Moldova and the Russian Federation are privatizing or liquidating troubled banks and improving accounting practices, prudential regulation and supervision of the banking sector. A lesson from the East Asian crisis is that under these circumstances, countries must establish good prudential and supervisory frameworks to avoid the risk of collapse of their financial systems: the Bank is supporting these efforts.

67. Supporting reconstruction after conflict has remained a major Bank activity. With internationally supported reconstruction efforts under way, the Bank's support in Bosnia and Herzegovina has increasingly focused on macroeconomic institution-building and the reforms needed in transition to a market economy. Two adjustment loans that focused on fiscal management and private-sector development were complemented by reconstruction support

for agriculture, education, electric power, gas, housing, transport and water supply.

68. To combat corruption and improve public-sector performance, the Bank is helping Governments in Albania, Georgia, Latvia, and Ukraine to formulate anti-corruption strategies. The strategies typically include accelerating such measures as deregulation and tax simplification, civil service reform, reform of public procurement and auditing policies, legal and judicial reform, and strengthening public oversight mechanisms.

69. The Municipal Finance Initiative, an undertaking that includes the Economic Development Institute and the International Finance Corporation, is helping municipalities and other subnational entities in the region to tap financial markets. The programme aims at developing stable, fiscally sustainable decentralized frameworks, as well as the laws and regulations necessary both for private-sector participation in local infrastructure and services and for open, diversified and competitive subnational credit markets. Under the Initiative, new non-sovereign financial products are being tailored to meet the needs of a wide spectrum of municipal conditions. Country programmes have been identified, and implementation has begun in Hungary and Romania.

70. World Bank support for education reform in the economies in transition expanded significantly in fiscal 1998, with projects in Armenia, Bosnia and Herzegovina, Hungary, the former Republic of Macedonia and Romania. These activities are aimed at ensuring that education systems respond to the needs of labour markets, and that resources for education are adequate and used effectively. Two projects in Hungary are helping to reform higher and vocational education, and Bank sector work is analysing policy options for reforming the Russian Federation's vocational educational system. Adjustment loans in Armenia and Georgia have protected expenditure in the social sectors while increasing cost-effectiveness.

M. International Monetary Fund

71. The Fund has continued to provide financial support for economic stabilization and reform programmes in most of the transition economies over the past few years. Since 1990, this assistance has been provided through several different facilities, including special drawing rights (SDR) 24.6 billion under regular Stand-By Arrangements (SBAs) and the Extended Fund Facility (EFF); SDR 4.0 billion under the special, now expired, Systemic Transformation Facility (STF); SDR 0.5 billion under the Enhanced Structural Adjustment Facility (ESAF); and SDR 0.1 billion under the Compensatory and Contingency Financing Facility (CCFF) and the post-conflict emergency facility. The size of the Fund's financial support and the conditionality attached to it vary according to the nature of the macroeconomic and structural problems that the member seeks to address and the Fund facility designed to meet this need. SBAs typically cover periods of one or two years, and focus on macroeconomic policies aimed at overcoming short-term balance of payments difficulties, while EFF arrangements generally cover three-year periods and are designed to address both macroeconomic as well as structural problems. Under ESAF arrangements, the Fund provides resources on concessional terms (0.5 per cent interest with repayments in 5.5 to 10 years) to support medium-term macroeconomic adjustment and structural reforms in low-income countries facing protracted balance of payments problems. All Fund programmes are closely monitored, and disbursements are made in several tranches, depending upon a country's performance in implementing agreed policies, reaching agreed macroeconomic benchmarks or undertaking agreed structural reforms. All decisions on such Fund programmes are taken by its 24-member Executive Board, which meets at least three times per week in formal session throughout the year, and which represents the views of the Fund's 182 members.

72. In addition to financial support, the Fund has undertaken technical cooperation activities in economies in transition in three broad areas: (a) design and implementation of fiscal and monetary policies; (b) institution-building, such as the development of central banks, treasuries, tax and customs departments and statistical services; and (c) drafting and review of economic and financial legislation. This collaboration has included joint financing with the EU, UNDP, the World Bank, central banks and bilateral partners. The Fund has also attached importance to helping with the training of officials responsible for the management and implementation of economic policy, especially through the Joint Vienna Institute (JVI) established in 1992. JVI has provided training to over 10,000 officials from 30 transition countries, both in Vienna as well as at its regional centres at Prague, Kiev, Moscow and Tashkent. The courses are specially tailored to the needs of transition countries, and focus on "best practices" in macroeconomic and financial management drawing on a wide variety of country experiences. Co-sponsored by the Bank for International Settlements, EBRD, the International Bank for Reconstruction and Development and the Organisation for Economic Cooperation and Development, JVI has received financial

support from Belgium, Canada, France, Finland, Iceland, the Netherlands, Norway and Sweden.

N. Universal Postal Union

73. The position of Universal Postal Union (UPU) Regional Adviser for the countries of Europe and the CIS was established in January 1996, with an office at Bratislava. The priority tasks for the Regional Adviser are to formulate assistance projects, raise awareness and seek supplementary financing.

74. UPU sponsored the preparation of the publication *Guidelines for Postal Legislation and Restructuring*, which was distributed to postal administrations. UPU and the World Bank undertook a collaborative study in 1996 entitled "Redirecting mail: postal reform". The purpose of the study, which was distributed to all postal administrations, was to create awareness in the financial community and among policy makers of the rationale for postal reform.

75. UPU has increased the resources allocated to economies in transition in its technical cooperation programme for 1996–2000. Activities financed by UPU's own resources are being carried out in Albania, Azerbaijan, the Baltic countries (a subregional project), Belarus, Bosnia and Herzegovina, Georgia, Kazakhstan, the Republic of Moldova, Slovakia, Tajikistan, Ukraine, the former Yugoslav Republic of Macedonia and Yugoslavia. Several specialized training activities and workshops have been organized for the postal services of these countries. Their representatives also took part in high-level forums organized by UPU; these focused on different aspects of postal-sector reform and future development strategies, foreign investment possibilities and other strategic topics. UNDP-financed projects to improve postal services are ongoing in Armenia and Turkmenistan; several preparatory assistance projects are also being carried out by UPU with UNDP funds.

O. World Meteorological Organization

76. The WMO Technical Cooperation Programme is dedicated to the improvement of the national meteorological and hydrological services (NMHSs) of all member countries. UNDP funding has had an important role in enabling WMO to achieve this objective, although the reordering of priorities in recent years has reduced drastically the funds available to WMO to support NMHSs of countries where assistance is still urgently needed. WMO has taken several steps to reverse this situation, and has changed its approach to technical cooperation, mainly through the mobilization of new resources, at the national and international levels. In the CIS, WMO cooperates closely with the Intergovernmental Council of Hydrometeorology in its activities.

P. International Maritime Organization

77. A review of the maritime needs of the economies in transition in December 1995 and January 1996 identified priority areas as being the strengthening of national and regional maritime institutions, the ratification of International Maritime Organization (IMO) conventions, the updating of national maritime codes and the improvement of training facilities for seafarers. In order to provide a foundation for subregional cooperation regarding the protection of the marine environment, the two areas highlighted were improved reception facilities for the collection of ships' waste and regularizing national procedures for responding to oil spills. IMO has also drawn up a major programme for the provision and improvement of reception facilities in ports located in the Baltic Sea. Other programmes focus on development of the subregional contingency plan for oil spills.

Q. World Intellectual Property Organization

78. WIPO is expanding its programme of technical cooperation on legal matters with economies in transition that are undertaking reform of their intellectual property systems and legislation. These countries face problems in the protection and use of intellectual property rights; this is particularly manifested in the insufficient use of modern technical means of industrial property information and the lack, in several countries, of institutions for the administration and management of copyright and related rights.

R. International Fund for Agriculture and Development

79. IFAD has nine projects in Albania, Armenia, Azerbaijan, Bosnia and Herzegovina, Georgia and the former Yugoslav Republic of Macedonia. Total IFAD funds approved for the region, since the first IFAD loan to Albania was approved in 1993, stand at $86 million for projects with a total cost of $235 million. For the remainder of 1998 and the 1999–2000 period, IFAD is considering additional

investments of about $73.5 million in Albania, Azerbaijan, Bosnia, Georgia, the former Yugoslav Republic of Macedonia, the Republic of Moldova and Romania.

80. IFAD is currently developing Country Strategy and Operations Policy Papers for each member country, drawing on the lessons of experience. These overviews of macroeconomic trends, constraints and opportunities in agriculture and rural development and trends in rural poverty, together with a review of the experiences of other institutions and with the identification of opportunities for linkages with multilateral, bilateral and non-governmental agencies, will be considered as a basis for future IFAD lending.

S. United Nations Industrial Development Organization

81. UNIDO has given particular attention to providing policy advice and technical cooperation to the economies in transition since its General Conference at Yaoundé in 1993, and has oriented this work to respond to General Assembly resolutions 49/106 and 51/175. In so doing, UNIDO has undertaken efforts to customize its services to the specific conditions of individual economies in transition. Policy advice and technical cooperation are focusing on industrial governance, industrial export capacity-building, quality and certification for industrial competitiveness, international industrial partnership and local industrial development.

82. Activities are being directed primarily to support institutions rather than individual enterprises, thus emphasizing upstream activities, such as policy advisory services and institutional capacity-building. Support is being provided for the development of SMEs as the principal means for achieving equitable and sustainable industrial development.

83. In 1997, UNIDO's technical cooperation delivery to the region reached $8.5 million (10.4 per cent of the UNIDO total). Despite difficulties in financing programmes, new approvals ($9.9 million) were higher than in any previous year except 1996.

84. In its work on industrial strategy and policy advice, UNIDO aims to achieve synergy among all parties involved in industrial policy and decision-making. For example, UNIDO commenced assistance to Bulgaria to adapt its business education curricula to the requirements of a market economy, as well as to produce positive attitudes towards private enterprise on the part of employers and employees. Recognizing the important role of local and regional development initiatives in transition, a workshop was held on strategies and policies for regional development.

85. With regard to environmental concerns, a project in Croatia was initiated to develop cleaner production by using capacities and expertise from the Czech Republic, themselves created in part through previous UNIDO activities. Georgia was assisted in preparing a project to reduce pollution from the Tbilisi thermal power plant and to increase fuel efficiency. This project can serve as a model for others in Georgia or other CIS countries. A regional project has enabled authorities and managers from Belarus, the Russian Federation and Ukraine to get acquainted with modern planning methods for water management in large industrial plants. In support of the Montreal Protocol, projects in Bosnia and Herzegovina, Croatia, Romania and the former Yugoslav Republic of Macedonia have targeted ozone-depleting substances.

86. To enhance the competitiveness of small and medium industries (SMIs), a project financed by the European Union initiated an industrial subcontracting and partnership exchange in Prague to provide information and advisory services to SMIs in the Czech Republic and to promote agreements with foreign partners. UNIDO also provided support to Kyrgyzstan by assisting the start-up and initial operation of a small-business development centre in Bishkek. A new project in the Russian Federation will strengthen the capacity and capabilities of women managers and entrepreneurs to participate in market economy-oriented activities. Work also continued under a UNDP-financed programme for the establishment and support of national SMI projects in several countries in the Balkans, the Caucasus and Central Asia.

87. In industrial information, investment and technology promotion, a project was initiated to set up three business development centres in Bosnia and Herzegovina. In the former Yugoslav Republic of Macedonia, UNIDO-supported activities to attract FDI include the establishment of an investment promotion unit at the Ministry of Development, to be linked with the UNIDO World Investment Network Service; staff training; and dissemination of the UNIDO *Investor's Guide*. Advisory services were also provided to the Republic of Moldova for the establishment of an investment promotion agency. A programme of assistance to Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan and Uzbekistan is designed to strengthen information, technology and investment-promotion capacities. A project on business partnerships and investment opportunities in food-processing and agro-industries in the Russian Federation is under implementation. Activities in Ukraine have supported entrepreneurs in acquiring technologies from

Austria, Belgium, Greece, the United Kingdom of Great Britain and Northern Ireland and Central and Eastern European countries.

88. As part of its overall investment promotion network, UNIDO has investment promotion offices at Warsaw and Moscow.[9] The Warsaw Office has been actively involved in distributing information on credit lines available from international and national sources for Polish firms, in the organization of three domestic economic conferences for more than 6,000 participants, and in a series of five regional credit and investment meetings, each for 200 to 400 Polish firms. Recent examples are an economic forum Poland/South-East Asia, held in September 1996, and an economic forum Poland/Latin America, held in November 1997. In addition, the Office has organized training courses on financial restructuring and on techniques for preparing business plans, and has established a computerized data bank of Polish companies and potential foreign investors. There has been some $200 million of foreign investment in Poland over the past six years, and projects of cooperation with developing countries valued at some $22 million.

89. The assistance provided by the Moscow Centre includes the identification, formulation, screening and appraisal of investment and technology transfer projects, the financial analysis of projects, project promotion, and match-making between the Russian Federation and foreign partners. The Centre manages several data banks on investment projects and foreign partners.

T. International Atomic Energy Agency

90. IAEA has expanded its assistance to the economies in transition in developing national legislation in the nuclear field. In 1997, a technical cooperation project entitled "Legislative assistance for the utilization of nuclear energy" was established; its main purpose is to support member States in their efforts to establish, develop or review their national law and regulations governing the safe and peaceful uses of nuclear energy.

91. The Agency has also been active in urging adherence by member States to international agreements in the nuclear field, and has assisted member States in adopting legislation for implementing such instruments. Special attention has been given to liability for nuclear damage; this has facilitated international cooperation in upgrading nuclear safety in the economies in transition, including the participation of both the public and private sectors.

Notes

[1] Organized by the United Nations, in collaboration with the Population and Family Study Centre and the Flemish Scientific Institute.

[2] United Nations publication, Sales No. E/R.94.XVII.4.

[3] A detailed list of the activities of ECE regional advisers, as well as a list of workshops, seminars, study tours and training courses which have taken place since April 1997, including activities to which ECE has contributed or given support, are available by E-mail from the ECE secretariat at Geneva.

[4] It is estimated that ETOs reach over 7 million companies around the world every day; in December 1997, the ETO listserver ranked among the top 20 Internet sites by number of messages delivered daily (see http://www.1soft.com/1top/LTOP-199712.html#TOPBYDELIV).

[5] In addition to the activities noted in this section, UNDP has funded many large projects executed by other organizations of the United Nations system, some of which are discussed in the sections on those organizations.

[6] Such a proposal was made by Mr. Percy Barnevik, Chairman of the Board of ABB ASEA Brown Boveri Ltd., in a letter to the Secretary-General of the United Nations in November 1997.

[7] The Vietnamese Government has made particular efforts to improve the processing of applications; as a result, many projects have been approved over the eight years since the first major reform in this area was introduced. However, the delivery of these projects is only about 30 per cent. The Government has requested FIAS assistance in identifying the major problems affecting implementation and formulation, which should lead to a significantly faster rate of implementation.

[8] UNFPA assistance complements the assistance provided by major donors active in the region, particularly the World Bank, Gemeinschaft fur Technische Zusammenarbeitung and the United States Agency for International Development.

[9] The UNIDO offices at Warsaw and Moscow were established in 1983 and 1989 respectively; they promote the mobilization of foreign investment resources, such as finance, technology, know-how, market access and management, to the home country, and from the home country to developing countries and countries in transition.